MOOSE LAKE LOGGERS LTD.

ANNUAL REPORT

1981 - 1982

MOOSE LAKE LOGGERS LTD.

BOARD OF DIRECTORS

J. Christensen
President, Swan Equipment Ltd.

F.G. Marvin
President, Spruce Products Ltd.

H. Holmgren
President, E. Holmgren & Sons

R. Grey
Foreman, Moose Lake Loggers Ltd.

H. Boyle
Regional Manager
Department of Natural Resources

L. Easter
Band Member
Moose Lake Indian Band

J. Martin
Welder, Moose Lake Community

J. Mercredi
Logger, Moose Lake Loggers Ltd.

G.P. Trithart
Manager, Corporate Projects
Department of Northern Affairs

OFFICERS

J. Christensen
President

R.J. Kivisto
General Manager

G.P. Trithart
Secretary/Treasurer

HEAD OFFICE - Moose Lake, Manitoba

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ANNUAL REPORT - MOOSE LAKE LOGGERS LTD.

APRIL 1, 1981 - MARCH 31, 1982

I. INTRODUCTION

Moose Lake Loggers Ltd. is a Crown Corporation formed in 1971 under the authority of the Manitoba Natural Resources Development Act for the purpose of establishing an economically viable logging operation providing employment for residents of Moose Lake and surrounding areas. The Corporation also has a mandate to train local residents to fill the jobs created, with the ultimate goal being management by local residents.

The Company uses skidders to harvest sawlogs and pulpwood for sale to Manitoba Forestry Resources Ltd. in The Pas. Most of the Company's employees are native people from Moose Lake, Manitoba, a community located near valuable forestry resources but with a traditionally serious lack of employment opportunities.

II. MAJOR DEVELOPMENTS

Following six years of continuous losses to March 31, 1977 (the accumulated total of which was $551,000), the Company has experienced profits in three of the last five years of operation as follows:

Year Ending March 31st	Profit (Loss)
1982	$ (98,286)
1981	127,544
1980	(18,306)
1979	54,420
1978	52,994

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Despite the operational problems encountered over the past five years, the Company is, nevertheless, encouraged with this performance since it obviates the need for Government subsidy.

Credit for the improved performance must be attributed to the General Manager and his staff who have worked tirelessly with the Company's Board of Directors and the Community of Moose Lake. The people of Moose Lake have also genuinely participated in the Company's success through representation on the Board of Directors, from the support provided by their elected leaders and, most importantly, from the hard work of the Company employees from Moose Lake.

During the year, Mr. R. Kivisto returned as full time General Manager after relinquishing his responsibility for Channel Area Loggers Ltd.

The Corporation's camp facilities on the North Arm of Moose Lake had served their usefulness and were demobilized in October, 1981. Under a mutually beneficial agreement, the Corporation purchased a 90 man camp from Manitoba Forestry Resources. This camp, which is located on Talbot Lake and is now closer to the cutting area, provides facilities for both Corporations at a considerably lower overall cost. Moose Lake Loggers Ltd. provides board and room for approximately 12 to 16 men from Manitoba Forestry Resources slashing crews.

World markets in the pulp, paper and lumber industry caused a reduction in available sales of pulpwood. As a result, this is the first year in which cut-backs in production had to be made by the Corporation.

Production now originates from thirty-one owner/operated machines. Owner/operators, an operational objective of the Company, are individuals who own and operate their own skidder utilizing a two man crew. Once a local resident has developed the necessary skills and demonstrated a willingness to be a steady employee the Company encourages him/her to become an owner/operator. Three new local Moose Lake owner/operators were added during the year with assistance of the Special Arda Program.

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III. REVIEW OF RESULTS

A. FINANCIAL RESULTS

Appended to this report are the Provincial Auditors' audited financial statements for the year ended March 31, 1982 indicating a loss of $98,286 compared to a profit of $127,544 the previous year. This loss is due to a reduction of 16,032 cords in pulpwood sales, reflecting the general economic conditions of the industry. Manitoba Forestry Resources Ltd. is the sole market for the Company and their depressed market for paper and lumber sales resulted in cut backs.

This is the second successive year in which bank interest earned exceeded bank interest expenses.

The following table provides key results of the Company for the last seven fiscal years:

Year Ending March 31st	Production Revenue	Wages & Fringe Benefits	Owner/Operator Rentals	Man Years Employment
1982	$ 2,587,539	$ 1,662,882	$ 563,575	67
1981	$ 2,809,289	$ 1,689,121	$ 587,374	68
1980	$ 2,077,031	$ 1,343,031	$ 396,453	59
1979	$ 1,952,382	$ 1,262,000	$ 319,779	57
1978	$ 1,943,545	$ 1,285,000	$ 214,663	58
1977	$ 881,830	$ 745,000	$ 68,052	42
1976	$ 649,758	$ 518,000	$ 24,539	34

B. PRODUCTION

Production in fiscal year 1981-82 was 65,532 cords, a decrease of 16,032 cords from the previous year. This was a direct result of reduced sales to Manitoba Forestry Resources Ltd. which necessitated a shutdown of operations for seven weeks, including the traditional ten day break at Christmas.

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A comparison of annual production, in cords, for the last seven years is provided in the following table:

Year Ending March 31st	Company Skidders	Owner/ Operators	Total
1982	-	65,532	65,532
1981	-	81,564	81,564
1980	-	68,034	68,034
1979	14,989	51,167	66,606
1978	21,450	39,540	60,990
1977	24,960	6,770	31,730
1976	20,150	4,790	24,940

This is the third year in a row in which 100% of the Corporations pulpwood production came from owner/operators. The Company's objective of converting from Company owned machines to skidder owner/operators has resulted in increased production capabilities. Some 61% (19 of 31 skidders) of these machines are now owned and operated by local native residents.

Absenteeism remains a problem and is, in part, responsible for the current year loss.

C. OTHER BENEFITS

Employment remained relatively constant at 68 employees for fiscal year 1981-82 with a majority (some 80%) of those employed being native residents of Moose Lake and other communities in the region. There is little or no alternate employment in most of these communities, except for traditional commercial fishing and trapping which is seasonal at best. It is interesting to note that the average annual salary exceeded $24,000 over the past two years.

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The Company maintains a store facility for employees which provides a variety of clothing, confectionary items and saw parts. Goods and services for owner/operator needs are also provided, however, in some instances owner/operators have developed to the stage where they operate quite independently from the Company.

D. TRAINING

The Company continues to provide on-the-job training. This training has produced the following favourable results:

	Total Staff	Native Staff
Office	3	2
Foreman	3	2
Kitchen and Dorms	7	7

Included in the 68 employees are 54 piece workers, 7 hourly and 7 salaried staff.

MANITOBA

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

MOOSE LAKE LOGGERS LTD.

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the balance sheet of Moose Lake Loggers Ltd. as at March 31, 1982 and the statements of retained earnings, revenues and expenditures, changes in financial position, and the schedule of operating expenditures for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements, together with the notes thereto, present fairly the financial position of Moose Lake Loggers Ltd. as at March 31, 1982 and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change as shown in Note 5, on a basis consistent with that of the preceding year.

W. K. Ziprick, C.A.,
Provincial Auditor.

August 11, 1982,
Winnipeg, Manitoba.

Exhibit A

MOOSE LAKE LOGGERS LTD.

Balance Sheet
as at March 31, 1982
(with 1981 figures for comparison)

ASSETS

	1982	1981
Current assets:		
Cash on hand and in bank	$ 66,986	$ 52,847
Investments - term deposits	-	75,000
Accounts receivable:		
Trade	33,041	312,246
Employees	8,282	10,780
	41,323	323,026
Loans receivable from sub-contractors re purchase of equipment - secured	2,101	13,051
- unsecured	73,332	22,145
Inventories, at cost	57,954	39,062
Prepaid expenses	2,630	3,829
Total current assets	244,326	528,960
Fixed assets, at cost: (Note 5)		
Buildings and trailers	508,257	256,559
Less accumulated depreciation	101,516	1 682
	406,741	114,877
Equipment	204,090	249,839
Less accumulated depreciation	100,332	126,030
	103,758	123,809
Other assets, at cost: (Note 5)		
Campsite improvements	111,346	32,630
Less accumulated amortization	6,797	17,956
	104,549	14,524
Main road construction	235,321	235,321
Less grants received	156,000	156,000
	79,321	79,321
Less accumulated amortization	48,805	38,718
	30,516	40,603
Total fixed and other assets	645,564	293,813
	$ 889,890	$ 822,773

Approved by the Board:

_____ Director

_____ Director

LIABILITIES AND SHAREHOLDERS' EQUITY

		1982	1981
Current liabilities:			
Outstanding cheques		$ 25,566	$ 94,644
Bank demand loan (Note 2)		10,000	-
Accounts payable and accrued liabilities:			
Trade		20,703	70,136
Province of Manitoba		-	289
Wage deductions		19,429	62,199
Employees		14,276	42,761
		54,408	175,385
Total current liabilities		89,974	270,029
Conditional sales agreement (secured) (Note 6)		345,458	-
Total liabilities		435,432	270,029
Shareholders' equity:			
Capital stock (Note 3):			
Authorized - 35,000 common shares of a par value of $10.00 each	$ 350,000		
Issued and fully paid - 30,009 common shares		300,090	300,090
Contributed surplus:			
Grant from the Government of Canada towards capital expenditures		5,720	5,720
Retained earnings, Exhibit B		148,648	246,934
Total shareholders' equity		454,458	552,744
		$ 889,890	$ 822,773

Exhibit B

MOOSE LAKE LOGGERS LTD.

Statement of Retained Earnings
for the year ended March 31, 1982
(with 1981 figures for comparison)

	1982	1981
Balance, beginning of year	$ 246,934	$ 119,390
Less: Excess of expenditures over revenues, Exhibit C	98,286	(127,544)
Balance, end of year, Exhibit A	$ 148,648	$ 246,934

Exhibit C

MOOSE LAKE LOGGERS LTD.

Statement of Revenues and Expenditures
for the year ended March 31, 1982
(with 1981 figures for comparison)

	1982	1981
Revenues:		
Log cutting contracts	$ 2,587,539	$ 2,809,289
Commissary sales	212,989	225,510
Board charges	46,638	23,958
Road maintenance	34,571	10,303
Interest income	11,839	9,371
Accounting service fees	3,650	4,400
Equipment service fees	3,161	7,458
(Loss) gain on sale of fixed assets	(1,580)	4,173
Trainee reimbursement	2,190	3,585
Equipment rental	-	3,400
Miscellaneous	7,445	3,329
	2,908,442	3,104,776
Expenditures - Exhibit E:		
Log cutting contracts	2,033,538	2,121,855
Camp operations	773,276	697,024
General and administrative	199,914	158,353
	3,006,728	2,977,232
Excess of expenditures over revenues, Exhibit B	$ 98,286	$ (127,544)

Exhibit D

MOOSE LAKE LOGGERS LTD.

Statement of Changes in Financial Position
for the year ended March 31, 1982
(with 1981 figures for comparison)

	1982	1981
Source of funds:		
Operations:		
Excess of expenditures over revenues	$ (98,286)	$ 127,544
Add: Charges not involving an outlay of funds - depreciation and amortization	102,007	86,722
	3,721	214,266
Loss (gain) on sale of fixed assets	1,580	(4,173)
	5,301	210,093
Proceeds from conditional sales agreement	356,284	-
Proceeds from sale of fixed assets - net	45,630	7,225
	407,215	217,318
Use of funds:		
Purchase of fixed and other assets	500,968	85,039
Conditional sales agreement	10,826	-
	511,794	85,039
(Decrease) increase in working capital	$(104,579)	$ 132,279

MOOSE LAKE LOGGERS LTD.

Schedule of Operating Expenditures
for the year ended March 31, 1982
(with 1981 figures for comparison)

	1982	1981
Log cutting contracts:		
Wages and benefits	$ 1,321,795	$ 1,397,367
Equipment rental	563,575	587,374
Fuel and oil	91,348	77,539
Repairs and maintenance	39,499	38,833
Miscellaneous supplies	10,736	14,787
Depreciation	5,321	5,274
Insurance	778	268
Travel	486	413
	2,033,538	2,121,855
Camp operations:		
Wages and benefits	202,304	181,007
Provisions	113,533	105,771
Depreciation	77,242	59,358
Fuel and oil	71,454	51,137
Repairs and maintenance	51,082	62,047
Interest on conditional sales agreement (Note 6)	27,476	-
Equipment rental	11,705	4,336
Amortization - main road	10,087	15,487
Insurance	6,605	4,941
Freight	2,722	2,477
Travel	2,681	3,087
Commissary:		
Purchases	195,657	212,967
Add: Opening inventory, at cost	16,671	11,080
Deduct: Closing inventory, at cost	(15,943)	(16,671)
	196,385	207,376
	773,276	697,024
Carried forward	$ 2,806,814	$ 2,818,879

MOOSE LAKE LOGGERS LTD.

Schedule of Operating Expenditures
for the year ended March 31, 1982
(with 1981 figures for comparison)

	1982	1981
Brought forward	$ 2,806,814	$ 2,818,879
General and administrative:		
Wages and employee benefits	134,138	88,238
Travel	12,754	7,991
Professional fees	11,128	7,880
Depreciation	9,358	6,603
Fuel and oil	5,918	4,022
Bad debt expense	5,000	-
Directors' fees and salaries	4,645	5,755
Directors' travel	3,072	4,419
Communications	4,349	3,687
Insurance	2,734	1,775
Miscellaneous	2,085	1,843
Stationery and supplies	2,068	1,964
Corporation Capital Tax	1,361	774
Repairs and maintenance	1,304	893
Profit sharing plan	-	22,509
	199,914	158,353
Total expenditures, Exhibit C	$ 3,006,728	$ 2,977,232

MOOSE LAKE LOGGERS LTD.

Notes to Financial Statements
for the year ended March 31, 1982

1. Accounting Policies

The accounting policies of the company are in accordance with generally accepted accounting principles and their basis of application, except as explained in note 5, is consistent with that of the preceding year.

Fixed assets:
Fixed assets are stated at cost. It is the company's policy to provide for depreciation and amortization of fixed assets on the basis shown in note 5.

Revenue recognition:
Pulpwood sales are recognized on the basis of pulpwood delivered to roadside and scaled in accordance with the terms of the sales contract.

2. Bank Loan

The bank loan is guaranteed by the Province of Manitoba to a maximum of $500,000 including unpaid interest thereon. The interest on the loan is at the prime bank rate.

3. Capital Stock

The issued shares are held by the Province of Manitoba except for nine shares which are held by the appointed directors in trust for Her Majesty the Queen in right of the Province of Manitoba.

4. Services Provided by the Province

The Province of Manitoba provides the services of the Secretary-Treasurer and other miscellaneous administrative services at no charge to the Company. The Province also provides Workers Compensation coverage for Company staff at no charge to the Company.

5. Fixed Assets

The Company depreciates its fixed assets and amortizes its other assets on the following basis:

	Annual Rate
A) Depreciation	
a) Straight line	
Buildings	10-33 1/3%
Trailers	15-33 1/3%
Equipment	20-33 1/3%
b) Diminishing balance	
Trucks	30%

MOOSE LAKE LOGGERS LTD.

Notes to Financial Statements
for the year ended March 31, 1982

5. Fixed Assets (continued)

	Annual Rate
B) Amortization	
a) Straight line	
Campsite improvements	12½ - 33 1/3%
b) Other	
Main road construction	10 cents per cord sold

Certain depreciation and amortization rates were changed as a result of the acquisition of the new logging camp during the year. Additionally, effective September 1, 1981 the Company changed its method of amortizing the main road construction from a straight line basis to the quantitative basis shown above; the effect of this change was to reduce the road amortization expense from $15,864 to $10,087 for the year ended March 31, 1982.

6. Conditional Sales Agreement

The conditional sales agreement reflects the amount owing on the purchase of the Talbot Lake camp from Manitoba Forestry Resources Ltd. The principal and interest, charged monthly at the prime rate paid by Manitoba Forestry Resources Ltd., is repayable over eight years with the final payment due October 1, 1989. The yearly repayment is based on an allowance per cord for the wood sold to Manitoba Forestry Resources Ltd.